

**REPORT OF THE AUDIT OF THE  
LARUE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[www.kyauditor.net](http://www.kyauditor.net)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LARUE COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**

The Auditor of Public Accounts has completed the LaRue County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$80,636 from the beginning of the year, resulting in a cash surplus of \$1,463,746 as of June 30, 2002.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2002, was \$2,185,000. Future collections of \$3,051,769 are needed over the next 16 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$796,968 as of June 30, 2002. Future principal and interest payments of \$936,034 are needed to meet these obligations.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tommy Turner, LaRue County Judge/Executive  
Members of the LaRue County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of LaRue County, Kentucky, as of June 30, 2002, and the statement of cash receipts, cash disbursements, and changes in cash balances, and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the LaRue County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, LaRue County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions of LaRue County, Kentucky, as of June 30, 2002 and the revenues received and expenditures paid, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
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In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2002 on our consideration of LaRue County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of LaRue County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 22, 2002



LARUE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

Tommy Turner	County Judge/Executive
Peggy Hawkins	Magistrate
Edward S. Lee	Magistrate
Gordon Conner	Magistrate
Pat Eastridge	Magistrate

**Other Elected Officials:**

Danny Rock	County Attorney
Ralph Trumbo	Jailer
Linda Carter	County Clerk
Larry Bell	Circuit Court Clerk
Merle L. Edlin	Sheriff
James Q. Shaw	Property Valuation Administrator
George Bertram	Coroner

**Appointed Personnel:**

Janet Propes/Lauralene Reed	County Treasurer
Lauralene Reed	Finance Officer
Tommy Rosel	Road Supervisor
Clara Druen	911 Administrator
Linda Flenner	Jail Administrative Assistant
Renee Strock	Administrative Assistant



STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

LARUE COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ 1,447,271	\$ 46	\$ 16,429
Restricted Cash- Payroll Revolving Account	<u>1,000</u>	<u></u>	<u></u>
Total Assets	<u>\$ 1,448,271</u>	<u>\$ 46</u>	<u>\$ 16,429</u>
<u>Other Resources</u>			
Amounts to be provided in Future Years:			
First Mortgage Refunding Revenue Bonds -			
Principal (Note 4)	\$	\$ 470,000	\$
General Obligation Improvement Bonds -			
Principal (Note 4)		1,714,954	
Capital Lease Principal Payments -			
Road Garage Property (Note 5)	290,607		
Sheriff's Vehicles (Note 5)	21,985		
Road Equipment #1 (Note 5)	3,733		
Road Paving Project (Note 5)	197,000		
Grader (Note 5)	47,000		
Trucks (Note 5)	31,386		
Road Equipment #2 (Note 5)	57,257		
Back-hoe Loader (Note 5)	45,000		
Jail Annex (Note)	<u>103,000</u>	<u></u>	<u></u>
Total Other Resources	<u>\$ 796,968</u>	<u>\$ 2,184,954</u>	<u>\$</u>
Total Assets and Other Resources	<u>\$ 2,245,239</u>	<u>\$ 2,185,000</u>	<u>\$ 16,429</u>

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

Totals  
(Memorandum Only)  
Reporting Entity

\$ 1,463,746  
  
1,000  
  
\$ 1,464,746

\$ 470,000  
  
1,714,954  
  
290,607  
21,985  
3,733  
197,000  
47,000  
31,386  
57,257  
45,000  
103,000  
  
\$ 2,981,922  
  
\$ 4,446,668

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
First Mortgage Refunding Revenue Bonds -			
Principal (Note 4)	\$	\$ 470,000	\$
General Obligation Improvement Bonds -			
Principal (Note 4)		1,715,000	
Capital Lease Principal Payments -			
Road Garage Property (Note 5)	290,607		
Sheriff's Vehicles (Note 5)	21,985		
Road Equipment #1 (Note 5)	3,733		
Road Paving Project (Note 5)	197,000		
Grader (Note 5)	47,000		
Trucks (Note 5)	31,386		
Road Equipment #2 (Note 5)	57,257		
Back-hoe Loader (Note 5)	45,000		
Jail Annex (Note)	103,000		
Payroll Revolving Account	1,000		
Total Liabilities	<u>\$ 797,968</u>	<u>\$ 2,185,000</u>	<u>\$ 0</u>
<u>Equity</u>			
Retained Earnings:			
Reserved	\$	\$	\$ 16,429
Fund Balances:			
Unreserved	<u>1,447,271</u>		
Total Equity	<u>\$ 1,447,271</u>	<u>\$ 0</u>	<u>\$ 16,429</u>
Total Liabilities and Equity	<u>\$ 2,245,239</u>	<u>\$ 2,185,000</u>	<u>\$ 16,429</u>

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

Totals  
(Memorandum Only)  
Reporting Entity

\$ 470,000

1,715,000

290,607

21,985

3,733

197,000

47,000

31,386

57,257

45,000

103,000

1,000

\$ 2,982,968

\$ 16,429

1,447,271

\$ 1,463,700

\$ 4,446,668

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

LARUE COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 5,376,954	\$ 3,331,133	\$ 1,099,512	\$ 946,237
Jail Canteen Receipts	136,068			
Other Financing Sources:				
Transfers In	502,518		65,054	235,000
Kentucky Advanced Revenue Program	1,389,650	1,257,320	132,330	
Capital Lease Proceeds	66,390	66,390		
Total Cash Receipts	<u>\$ 7,471,580</u>	<u>\$ 4,654,843</u>	<u>\$ 1,296,896</u>	<u>\$ 1,181,237</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 5,041,441	\$ 3,039,161	\$ 1,068,173	\$ 934,107
Jail Canteen Expenditures	127,937			
Other Financing Uses:				
Transfers Out	502,518	300,054		202,464
Bonds:				
Principal Paid	115,000			
Interest Paid	87,638			
Kentucky Advanced Revenue Program	1,389,650	1,257,320	132,330	
Principal on Capital Leases	126,760	19,917	98,843	8,000
Total Cash Disbursements	<u>\$ 7,390,944</u>	<u>\$ 4,616,452</u>	<u>\$ 1,299,346</u>	<u>\$ 1,144,571</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 80,636	\$ 38,391	\$ (2,450)	\$ 36,666
Cash Balance - July 1, 2001	* <u>1,383,110</u>	<u>1,329,025</u>	<u>2,450</u>	<u>43,189</u>
Cash Balance - June 30, 2002	* <u>\$ 1,463,746</u>	<u>\$ 1,367,416</u>	<u>\$ (0)</u>	<u>\$ 79,855</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH  
FLows-PROPRIETARY FUND TYPE



LARUE COUNTY  
STATEMENT OF CASH  
FLows-PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Inmate Sales	\$ 12,695
Payments to Suppliers	(76,875)
Payments to Employees	<u>(14,410)</u>
Net Cash (Used) By Operating Activities	<u>\$ (78,590)</u>
Cash Flows From Noncapital Financing Activities:	
Cash Received on Inmate Accounts	\$ 108,494
Cash Refunded From Inmate Accounts	(24,284)
Cash From Inmate State Pay	14,760
Cash to Inmates From State Pay	<u>(12,368)</u>
Net Cash Provided by Noncapital Financing Activities	<u>\$ 86,602</u>
Cash Flows From Investing Activities:	
Interest Received on Bank Accounts	<u>\$ 119</u>
Net Cash Provided by Investing Activities	<u>\$ 119</u>
Net Increase in Cash	<u>\$ 8,131</u>
Cash and Cash Equivalents - Beginning	<u>8,298</u>

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of LaRue County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the LaRue County Building Commission Corporation as a component unit of LaRue County Fiscal Court.

The fiscal court has included the LaRue County Building Commission Corporation because they appoint a voting majority of the governing board and impose their will to significantly influence the activities of the commission. The financial statements of the corporation are blended with those of the LaRue County Fiscal Court.

Additional - LaRue County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting LaRue County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. LaRue County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The LaRue County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, and Jail Fund.



LARUE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the LaRue County Courthouse Improvements Bond Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The LaRue County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The commissary operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail commissary operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, deferred revenue, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The LaRue County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

LARUE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Debt Service Fund Type because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash and cash equivalents include amounts in bank accounts and certificates of deposit. For the purpose of the statement of cash flows, the county considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of LaRue County Fiscal Court:

LaRue County Extension  
 LaRue County Public Health  
 LaRue County Library

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute.

LARUE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 2. Employee Retirement System (Continued)

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Long-Term Debt

A. First Mortgage Refunding Revenue Bonds, Series of 1998

The LaRue County Building Commission Corporation issued \$705,000 of First Mortgage Revenue Bonds, Series of 1991, dated January 1, 1991, at various interest rates for the purpose of constructing a courthouse facility (referred to herein as the "prior bonds").

The LaRue County Building Commission Corporation issued \$630,000 of First Mortgage Revenue Bonds, Series of 1998, dated October 1, 1998, at 4.10% interest rate for the purpose of discharging the outstanding prior bonds. Proceeds of the refunding revenue bonds were deposited into an Escrow Fund, and used to meet the scheduled principal and interest payments of the prior bonds, from January 1, 1999 through January 1, 2001 (dates inclusive). On January 1, 2001, the prior bonds were called at 103% and all outstanding prior bonds were retired using the remaining balance of the Escrow Fund.

LARUE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 4. Long-Term Debt (Continued)

A. First Mortgage Refunding Revenue Bonds, Series of 1998 (Continued)

Bond principal and interest requirements of the Jail Fund are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 19,270	\$ 45,000
2004	17,425	50,000
2005	15,375	45,000
2006	13,530	50,000
2007	11,480	50,000
2008-2011	23,985	230,000
Totals	<u>\$ 101,065</u>	<u>\$ 470,000</u>

B. General Obligation Improvement Bonds, Series of 1999

The LaRue County Fiscal Court issued \$1,910,000 of General Obligation Improvement Bonds, Series of 1999, dated January 1, 1999, at various interest rates for the purpose of construction of courthouse facilities.

Bond principal and interest requirements of the Courthouse Improvements Bond Fund are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 74,490	\$ 70,000
2004	71,690	75,000
2005	68,690	75,000
2006	65,690	80,000
2007	62,490	85,000
2008-2012	258,230	475,000
2013-2017	145,380	580,000
2018-2019	19,090	275,000
Totals	<u>\$ 765,750</u>	<u>\$ 1,715,000</u>

LARUE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Capital Lease Agreements

- A. The county has entered into the following capital lease agreements, which are paid from the General Fund.

1) Road Garage Property

On September 12, 1997, the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the purchase of property for the road garage. The principal was \$385,000 at 4.25 percent interest for a period of 15 years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 11,328	\$ 24,815
2004	9,538	23,951
2005	8,623	24,982
2006	7,667	26,057
2007	6,671	27,178
2008-2012	16,846	154,469
2013	54	9,155
Totals	<u>\$ 60,727</u>	<u>\$ 290,607</u>

2) Sheriff's Vehicles

On November 1, 1999, the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the purchase of two Sheriff vehicles. The principal was \$43,162 at 3.72 percent interest for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 664	\$ 8,809
2004	331	9,143
2005	36	4,033
Totals	<u>\$ 1,031</u>	<u>\$ 21,985</u>

LARUE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Capital Lease Agreements (Continued)

B. The county has entered into the following capital lease agreements, which are paid from the Road and Bridge Fund.

1) Road Equipment #1

On September 12, 1997, the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the purchase of road equipment. The principal was \$69,215 at 4.220 percent interest for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 27	\$ 3,733

2) Road Paving Project

On May 8, 1998 the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for paving of roads. The principal was \$300,000 at 4.5 percent interest for a period of 10 years, with interest and principal paid annually. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 8,321	\$ 29,000
2004	6,998	30,000
2005	5,610	32,000
2006	4,151	33,000
2007	2,629	35,000
2008	997	38,000
Totals	\$ 28,706	\$ 197,000

LARUE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Capital Lease Agreements (Continued)

B. The county has entered into the following capital lease agreements, which are paid from the Road and Bridge Fund. (Continued)

3) Grader

On October 8, 1998, the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the purchase of a grader. The principal was \$110,000 at 3.8 percent interest for a period of six years, with interest paid monthly and principal paid annually. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 1,806	\$ 23,000
2004	676	24,000
Totals	\$ 2,482	\$ 47,000

4) Trucks

On July 1, 1999, the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the purchase of two trucks. The principal was \$74,010 at 3.72 percent interest for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 903	\$ 15,341
2004	323	16,045
Totals	\$ 1,226	\$ 31,386

LARUE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Capital Lease Agreements (Continued)

- B. The county has entered into the following capital lease agreements, which are paid from the Road and Bridge Fund. (Continued)

5) Road Equipment #2

On August 14, 2001, the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the purchase of road equipment. The principal was \$66,390 at 4.67 percent interest for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 2,242	\$ 13,685
2004	1,503	13,169
2005	967	13,705
2006	408	14,264
2007	12	2,434
Totals	<u>\$ 5,132</u>	<u>\$ 57,257</u>

6) Back-hoe Loader

On September 26, 2001, the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the purchase of a back-hoe loader. The principal was \$55,000 at 3.86 percent interest for a period of five years, with interest paid monthly and principal paid annually. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 1,443	\$ 10,000
2004	981	10,000
2005	663	10,000
2006	278	15,000
Totals	<u>\$ 3,365</u>	<u>\$ 45,000</u>



LARUE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Capital Lease Agreements (Continued)

- C. The county has entered into the following capital lease agreement, which is paid from the Jail Fund.

Jail Annex

On June 22, 1992, the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the construction of a 30-bed jail annex. The principal was \$164,000 at 5.409 percent interest for a period of 20 years, with interest paid monthly and principal paid annually. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 6,392	\$ 8,000
2004	5,852	9,000
2005	5,275	9,000
2006	4,698	9,000
2007	4,094	10,000
2008-2012	10,059	58,000
Totals	<u>\$ 36,370</u>	<u>\$ 103,000</u>

Note 6. State Grants

LaRue County received from the Kentucky State Treasurer a grant during the fiscal year ended June 30, 2000 in the amount of \$1,000,000 to allow the expansion of public water service by funding 312 feet of water main and the addition of a 100-gallon elevated water storage tank. The expansion would reach approximately 550 new customers in LaRue and a portion of Nelson County representing a 30 percent increase in residential service, most of whom are currently using contaminated ground water sources. LaRue County received additional grant funds of \$803,542 during fiscal year 2002. Total expenditures for the fiscal years ended June 30, 2000, 2001, and 2002 were \$54,634, \$716,949, and \$961,228 respectively. The unexpended balance of the grant as of June 30, 2002 was \$70,731.

LaRue County received from the Kentucky State Treasurer a grant during the fiscal year ended June 30, 2002 in the amount of \$195,000 for the purchase of new equipment and the update of current equipment for the various county fire departments. Total expenditures for the fiscal years ended June 30, 2001 and 2002 were \$83,577 and \$46,423 respectively. The unexpended balance of the grant as of June 30, 2002 was \$65,000.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



LARUE COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Types</u>			
General Fund	\$ 3,655,500	\$ 3,331,133	\$ (324,367)
Road and Bridge Fund	1,220,211	1,099,512	(120,699)
Jail Fund	970,673	946,237	(24,436)
Totals	<u>\$ 5,846,384</u>	<u>\$ 5,376,882</u>	<u>\$ (469,502)</u>

Reconciliation

Total Budgeted Operating Revenue Above		\$ 5,846,384
Add: Budgeted Prior Year Surplus		40,000
Less: Budgeted Transfers to Courthouse Improvements Fund	\$ (202,485)	
Budgeted Capital Lease Agreements-Principal	<u>(129,843)</u>	<u>(332,328)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures		<u>\$ 5,554,056</u>

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SCHEDULE OF OPERATING REVENUE





LARUE COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Revenue Categories</u>	Totals (Memorandum Only)	<u>GOVERNMENTAL FUND TYPES</u>	
		General Fund Types	Debt Service Fund Type
Taxes	\$ 788,632	\$ 788,632	\$
In Lieu Tax Payments	1,382	1,382	
Excess Fees	89,892	89,892	
Licenses and Permits	43,768	43,768	
Intergovernmental Revenues	3,853,507	3,853,507	
Charges for Services	361,453	361,453	
Miscellaneous Revenues	156,746	156,746	
Interest Earned	81,574	81,502	72
Total Operating Revenue	<u>\$ 5,376,954</u>	<u>\$ 5,376,882</u>	<u>\$ 72</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



LARUE COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 491,947	\$ 437,360	\$ 54,587
Protection to Persons and Property	1,401,649	1,234,623	167,026
General Health and Sanitation	1,063,690	1,018,575	45,115
Social Services	16,150	14,471	1,679
Recreation and Culture	343,150	319,090	24,060
Roads	1,023,668	977,907	45,761
Other Transportation Facilities and Services	150,000	14,000	136,000
Debt Service	5,915	5,829	86
Capital Projects	533,867	530,672	3,195
Administration	524,020	488,914	35,106
Total Operating Budget - General Fund Types	\$ 5,554,056	\$ 5,041,441	\$ 512,615
Other Financing Uses:			
Transfers to Courthouse			
Improvements Bond Fund-			
Principal	115,000	115,000	
Interest	87,485	87,464	21
Capital Lease Agreements-			
Principal	129,843	126,760	3,083
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 5,886,384</u>	<u>\$ 5,370,665</u>	<u>\$ 515,719</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tommy Turner, LaRue County Judge/Executive  
Members of the LaRue County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of LaRue County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether LaRue County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LaRue County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 22, 2002

